

CITY OF MARQUETTE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2013

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CITY OF MARQUETTE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Norma Mason	Mayor	Jan. 2014
Jason Winter	Mayor Pro tem	Jan. 2016
Tracy Melder	Council Member	Jan. 2014
Mary Jo Pirc	Council Member	Jan. 2014
Rinda Ferguson	Council Member	Jan. 2014
Jim Meana	Council Member	Jan. 2016
Dean Hilgersen	City Manager	Indefinite
Susan Weipert	City Clerk/Treasurer	Indefinite
James Garrett	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregated discretely presented component units and remaining fund information, and each major fund of the City of Marquette, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing the audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregated discretely presented component units and remaining fund information, and each major fund of the City of Marquette as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marquette's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally

accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 13 and 31 through 32, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2013 on our consideration of the City of Marquette's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Marquette's internal control over financial reporting and compliance.

Elkader, Iowa

October 18, 2013



Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF MARQUETTE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marquette provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 9.4%, or approximately \$ 179,000 from fiscal year 2012 to fiscal 2013.

Disbursements of the City's governmental activities increased 39.7%, or approximately \$ 790,000 in fiscal 2013 from fiscal 2012. Community and economic development and capital projects disbursements increased approximately \$ 570,000 and \$ 174,000, respectively.

The City's total cash basis net position decreased 26.5%, or approximately \$ 1.073 million from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$ 1.057 million and the cash basis net position of the business type activities decreased approximately \$ 16,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of Cash Basis Statements of Activities and Net Position. These statements provide information about the activities of the City as a whole and present an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides comparative information about the governmental funds for the last ten years.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the fund in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This annual report includes all activities for which the City of Marquette City Council is fiscally responsible. These activities, defined as the City's reporting entity, are operated within separate legal entities that are the primary government and other separate legal entities that are included as component units.

The primary government consists of two legal entities: the City of Marquette and the Mar Mac Driftless Area Wetland Centre.

The component unit presentation consists of two legal entities: the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc.

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities. The Cash Basis

Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statements of Activities and Net Position present the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statements of Activities and Net Position are divided into three kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and capital projects. Property tax, state and federal grants, and gaming revenues finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Discretely Presented Component Units consist of the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc., legally separate organizations that have the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those fund, and the balances at year-end that are available for spending. The governmental funds include (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment, and Mar Mac Driftless Area Wetland Centre and (3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$ 3.918 million to approximately \$ 2.926 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service	\$ 236	247
Operating grants and contributions	68	43
Capital grants and contributions	124	245
General receipts:		
Property tax	583	396
Local taxes	52	33
Gaming wager tax	588	608
Sale of assets	19	245
Unrestricted investments earnings	43	80
Other general receipts	11	6
Total receipts	<u>1,724</u>	<u>1,903</u>
Disbursements:		
Public safety	197	179
Public works	157	157
Health and social services	1	1
Culture and recreation	110	94
Community and economic development	578	8
General government	225	213
Capital projects	<u>1,513</u>	<u>1,339</u>
Total disbursements	<u>2,781</u>	<u>1,991</u>
Changes in cash basis net position	(1,057)	(88)
Cash basis net position - newly blended component unit beginning of year	65	0
Cash basis net position beginning of year	<u>3,918</u>	<u>4,006</u>
Cash basis net position end of year	<u>\$ 2,926</u>	<u>3,918</u>

The City's total receipts for governmental activities decreased 9.4%, or approximately \$ 179,000. The total cost of all programs and services increased about \$ 790,000 or 39.7%. The significant decrease in receipts was primarily due to the sale of City Hall for \$ 227,500 in 2012. The significant increase in disbursements was primarily due to the approximate \$ 575,000 cost of completing the wetland nature center.

The cost of all governmental activities this year was approximately \$ 2.781 million compared to approximately \$ 1.991 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was only \$ 2.352 million because some of the cost was paid by those directly benefited from the programs (\$ 236,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$192,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2013 from approximately \$ 535,000 to approximately \$ 428,000. The City paid the remaining "public benefit" portion of governmental activities with approximately \$ 635,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest (\$ 43,000) and gaming wager receipts (\$588,000).

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 81	86
Sewer	86	84
General receipts:		
Sale of assets	1	0
Other general receipts	2	0
Total receipts	<u>170</u>	<u>170</u>
Disbursements:		
Water	89	108
Sewer	97	109
Total disbursements	<u>186</u>	<u>217</u>
Change in cash basis net position	(16)	(47)
Cash basis net position beginning of year	<u>73</u>	<u>120</u>
Cash basis net position end of year	<u>\$ 57</u>	<u>73</u>

Total business type activities receipts for the fiscal year were \$ 170,000 compared to \$ 170,000 last year. The cash balance decreased approximately \$ 16,000 from the prior year. Total disbursements for the fiscal year decreased 14.3% or approximately \$ 31,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Marquette completed the year, its governmental funds reported a combined fund balance of \$ 2,926,385, a decrease of \$ 1,056,440 from last year's total of \$ 3,982,825. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$ 269,993 from the prior year to \$ 2,288,993. The General Fund transferred \$ 754,882 to the Capital Projects Fund and \$ 378,424 to the Mar Mac Driftless Area Wetland Centre to complete the nature center and received \$ 545,323 from the TIF and Capital Projects Fund. The transfers to the Capital Projects Fund were primarily for the downtown project. The transfers from Urban Renewal Tax Increment Fund were for repayment of interfund loans.

The Special Revenue, Urban Renewal Tax Increment Fund receipts were used to transfer \$ 545,323 to the General Fund as a payment on interfund loans.

The Capital Projects Fund disbursed and transferred \$ 1,535,278 during the current fiscal year for various capital projects, which included \$ 1,242,574 for the downtown project, \$ 116,505 for Pleasant Drive and \$ 66,958 for Edgar Street.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on October 9, 2012 and on May 21, 2013 and resulted in an increase of \$ 1,084,950 in budgeted disbursements, primarily a result of budgeted increases in capital projects and community and economic development disbursements of \$ 571,100 and \$ 430,000, respectively.

The City's receipts were \$ 129,490 more than budgeted, primarily due to the City receiving \$ 76,468 more in other taxes than anticipated.

DEBT ADMINISTRATION

At June 30, 2013 and 2012, the City had no long-term debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is approximately \$ 1.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Marquette's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. One of those factors is revenue from the gaming boat. Total gaming boat receipts for the years ended June 30, 2013, 2012, and 2011 were \$ 755,477, \$ 791,311 and \$ 763,253, respectively. Please note that the City received only 11 monthly payments from the gaming boat in fiscal 2013. New gaming facilities in Iowa and a depressed economy had put downward pressure on these receipts but they have appeared to stabilize. Population decreased 21.2% in the 2010 census from the 2000 census. However, the City appealed the count and received a positive re-determination from 375 to 462.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are \$ 2.126 million, an increase of 5.0% over the final fiscal 2013 budget. Budgeted disbursements are expected to decrease \$ 942,161, with capital projects and community and economic development disbursements budgeted to decrease \$ 434,650 and \$ 424,880, respectively.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 322,000 by the close of 2014.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dean Hilgersen, City Manager; 102 North Street; Marquette, Iowa.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF MARQUETTE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the Year Ended June 30, 2013

Functions/Programs: Governmental activities:	Disbursements	Program Receipts			Primary Government			Discretely Presented Component Units
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Cash Basis Net Position	Business Type Activities	Total	
Public safety	\$ 196,791	71,773	6,571	-	(118,447)	-	(118,447)	-
Public works	157,072	41,112	53,665	-	(62,295)	-	(62,295)	-
Health and social services	816	-	-	-	(816)	-	(816)	-
Culture and recreation	109,500	120,000	8,000	-	18,500	-	18,500	-
Community and economic development	577,819	-	-	124,150	(453,669)	-	(453,669)	-
General government	225,480	3,562	-	-	(221,928)	-	(221,928)	-
Capital projects	1,513,278	-	-	-	(1,513,278)	-	(1,513,278)	-
Total government activities	2,780,766	226,447	68,236	124,150	(2,351,933)	-	(2,351,933)	-
Business type activities:								
Water	89,105	81,040	-	-	-	(8,065)	(8,065)	-
Sewer	97,232	86,242	-	-	-	(10,990)	(10,990)	-
Total business type activities	186,337	167,282	-	-	-	(19,055)	(19,055)	-
Total primary government	\$ 2,967,103	403,729	68,236	124,150	(2,351,933)	(19,055)	(2,370,988)	20,429
Discretely presented component units	\$ 299,644	275,258	44,815	-	-	-	-	-
General receipts:								
Property and other city tax					9,174	-	9,174	-
Tax increment financing					573,392	-	573,392	-
Local option sales tax					38,016	-	38,016	-
Hotel/motel tax					14,193	-	14,193	-
Gaming wager tax					587,559	-	587,559	-
Unrestricted interest on investments					42,643	-	42,643	555
Miscellaneous					11,494	1,638	13,132	2,480
Sale of capital assets					19,022	1,000	20,022	4,777
Total general receipts					1,295,493	2,638	1,298,131	7,812
Change in cash basis net position					(1,056,440)	(16,417)	(1,072,857)	28,241
Cash basis net position beginning of year					3,982,825	73,064	4,055,889	126,319
Cash basis net position end of year					\$ 2,926,385	\$ 56,647	2,983,032	154,560
Cash Basis Net Position								
Restricted, expendable:								
Overpass demolition								
Urban renewal purposes								
Streets								
Driftless Area Wetland Centre								
Unrestricted								
Total cash basis net position					\$ 100,000	-	100,000	-
					53,078	-	53,078	-
					15,796	-	15,796	-
					6,465	-	6,465	-
					2,751,046	56,647	2,807,693	154,560
					\$ 2,926,385	\$ 56,647	2,983,032	154,560

See notes to financial statements.

Exhibit B

CITY OF MARQUETTE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AGGREGATE DISCREETELY PRESENTED COMPONENT UNITS
As of and for the Year Ended June 30, 2013

Discretely Presented Component Unit	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants and Contributions	Unified Law Enforcement District	Marquette Action Club, Inc.	Total
Mar Mac Unified Law Enforcement District	\$ 286,684	264,218	44,315	21,849	-	21,849
Marquette Action Club, Inc.	12,960	11,040	500	-	(1,420)	(1,420)
Total	<u>\$ 299,644</u>	<u>275,258</u>	<u>44,815</u>	<u>21,849</u>	<u>(1,420)</u>	<u>20,429</u>
General receipts:						
Unrestricted interest on investments				369	186	555
Miscellaneous				2,480	-	2,480
Sale of capital assets				4,777	-	4,777
Total general receipts				<u>7,626</u>	<u>186</u>	<u>7,812</u>
Change in cash basis net position				29,475	(1,234)	28,241
Cash basis net position, beginning of the year				56,296	70,023	126,319
Cash basis net position, end of year				<u>\$ 85,771</u>	<u>68,789</u>	<u>154,560</u>
Cash Basis Net Position						
Unrestricted				<u>\$ 85,771</u>	<u>68,789</u>	<u>154,560</u>

See notes to financial statements.

Exhibit C

CITY OF MARQUETTE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2013

	Special Revenue				Nonmajor		Total
	General	Urban Renewal Tax Increment	Mar Mac Driftless Area Wetland Centre	Capital Projects	Special Revenue Road Use Tax		
Receipts:							
Property tax	\$ 9,174	-	-	-	-	-	9,174
Tax increment financing	-	573,392	-	-	-	-	573,392
Other city tax	639,768	-	-	-	-	-	639,768
Licenses and permits	2,087	-	-	-	-	-	2,087
Use of money and property	218,448	-	420	-	-	-	218,868
Intergovernmental	12,455	-	49,384	-	-	-	109,620
Charges for service	41,112	-	-	-	-	-	41,112
Miscellaneous	23,017	-	88,266	-	-	-	111,283
Total receipts	946,061	573,392	138,070	-	47,781	-	1,705,304
Disbursements:							
Operating:							
Public safety	196,791	-	-	-	-	-	196,791
Public works	120,132	-	-	-	-	36,940	157,072
Health and social services	816	-	-	-	-	-	816
Culture and recreation	95,820	-	13,680	-	-	-	109,500
Community and economic development	3,044	-	574,775	-	-	-	577,819
General government	225,490	-	-	-	-	-	225,490
Capital projects	-	-	-	1,513,278	-	-	1,513,278
Total disbursements	642,093	-	588,455	1,513,278	36,940	-	2,780,766
Excess (deficiency) of receipts over (under) disbursements	303,968	573,392	(450,385)	(1,513,278)	10,841	(1,075,462)	
Other financing sources (uses):							
Sale of capital assets	5,522	-	-	13,500	-	-	19,022
Operating transfers in	545,323	-	391,924	754,882	-	1,692,129	
Operating transfers out	(1,124,806)	(545,323)	-	(22,000)	-	(1,692,129)	
Total other financing sources (uses)	(573,961)	(545,323)	391,924	746,382	-	-	19,022
Net change in cash balances	(269,993)	28,068	(58,461)	(766,896)	10,841	(1,056,440)	
Cash balances beginning of year	2,358,986	25,009	64,926	1,328,949	4,955	3,982,825	
Cash balances end of year	\$ 2,288,993	53,078	6,465	562,053	15,796	2,926,385	

(continued)

Exhibit C
(continued)

CITY OF MARQUETTE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2013

	Special Revenue				Nonmajor		Total
	General	Urban Renewal Tax Increment	Mar Mac Driftless Area Wetland Centre	Capital Projects	Special Revenue Road Use Tax		
Cash Basis Fund Balances:							
Restricted for:							
Overpass demolition	\$ 100,000	-	-	-	-	-	100,000
Urban renewal purposes	-	53,078	-	-	-	-	53,078
Streets	-	-	-	-	15,796	-	15,796
Mar Mac Driftless Area Wetland Centre	-	-	6,465	-	-	-	6,465
Committed for:							
Playground	5,522	-	-	-	-	-	5,522
Capital projects	-	-	-	562,053	-	-	562,053
Unassigned	2,183,471	-	-	-	-	-	2,183,471
Total cash basis fund balances	\$ 2,288,993	53,078	6,465	562,053	15,796	-	2,926,385

See notes to financial statements.

CITY OF MARQUETTE
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2013

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 81,040	86,242	167,282
Operating disbursements			
Business type activities	89,105	97,232	186,337
Deficiency of operating receipts under operating disbursements	(8,065)	(10,990)	(19,055)
Non-operating receipts:			
Miscellaneous	1,638	1,000	2,638
Net change in cash balances	(6,427)	(9,990)	(16,417)
Cash balances beginning of year	48,948	24,116	73,064
Cash balances end of year	<u>\$ 42,521</u>	<u>14,126</u>	<u>56,647</u>
 Cash Basis Fund Balances			
Unrestricted	<u>\$ 42,521</u>	<u>14,126</u>	<u>56,647</u>

See notes to financial statements.

CITY OF MARQUETTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Marquette is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1860 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Marquette has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has three component units which meet the Governmental Accounting Standards Board criteria.

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended unit's governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. The component unit's funds are blended to those of the City by appropriate fund type to constitute the primary government presentation. The blended component is presented below:

<u>Component Unit/ Fund Included In</u>	<u>Brief Description /Inclusion Criteria</u>
Mar Mac Driftless Area Wetland Centre Special Revenue, Mar Mac Driftless Area Wetland Centre Fund	Created in 2009 under Chapter 28E of the Code of Iowa to build and operate a multi-use community facility and arts venue, a nature center focusing on area ecosystems, and eventually, a trailhead for area pedestrian and cycling trails. The Centre is

governed by a five member board, two of which are appointed by the City of Marquette, who are currently residents of Marquette. Appointments are made by the Mayor, subject to Council approval. The City of Marquette shall appropriate and pay to the Centre each fiscal year a sum equal to 50% of the Centre's budget for the year to the extent funds are not available from other sources. If the Centre and both city councils fail to agree upon and approve a budget for the Centre, the 28E agreement shall automatically terminate. Upon termination, for a period of 120 days, the City of Marquette shall have the exclusive right and option to purchase the Centre and all non-cash assets for a purchase price equal to the lesser of: (1) the fair market value of such assets, or (2) a pro-rata portion of the School District's original \$ 200,000 contribution reduced by one-tenth each year and the payment of any and all outstanding obligations of the Centre. The 28E agreement was terminated August 13, 2013, and the City acquired all tangible assets of the Centre, including the nature center building and improvements, and all equipment, supplies and records.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component units that are discretely presented in the City's report are presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Mar-Mac Unified Law Enforcement District	Created in 1999 under Chapter 28E of the Code of Iowa to provide police services to the cities of Marquette and McGregor. The District is governed by a five member board, two of which are appointed by the City of Marquette, who are persons currently serving as either Mayor or Council Member of Marquette. Appointments are made by the Mayor, subject to Council approval; provided however, that if the Mayor appoints himself/herself, Council approval is not required. The City of Marquette shall appropriate and pay to the District each fiscal year a sum equal to 65% of the District's budget for the year.

Marquette Action Club, Inc. Created March 13, 2009, under Chapter 504 of the Code of Iowa, for the purpose of improving and beautifying the City of Marquette. The initial directors of the Organization are its incorporators, which includes one current council member of the City of Marquette.

The Centre issues a publicly available audited financial report that includes financial statements and other information. The report may be obtained by writing to: Mar Mac Driftless Area Wetland Centre; P.O. Box 7; Marquette, Iowa 52158-0007.

The District issues a publicly available audited financial report that includes financial statements and other information. The report may be obtained by writing to: Mar-Mac Unified Law Enforcement District; P.O. Box 69; Marquette, Iowa 52158-0069.

The Marquette Action Club, Inc. does not issue separately audited component unit financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component units (the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc.) are reported as if they were external transactions and are classified separately from internal transactions within the primary government.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net assets. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and proprietary funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement cost not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Mar Mac Driftless Area Wetland Centre Fund (a blended component unit of the City) is used to account for the construction and operation of

the nature center.

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Marquette maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position, available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned, then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used for specific purposes pursuant to constraints imposed by the Council through ordinance or resolution approved prior to year end.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are

established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Primary Government's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$ 16,558, \$ 14,220 and \$ 12,676, respectively, equal to the required contribution for each year.

Certain employees in special risk occupations and the Discretely Presented Component Unit contribute an actuarially determined contribution rate. The Discretely Presented Component Unit's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$ 16,556, \$ 15,835 and \$ 13,431, respectively, equal to the required contributions for the year.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Discretely Presented Component Unit operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and the Discretely Presented Component Unit. The City and the Discretely Presented Component Unit finance the retiree benefit plans on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 927 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$ 34,689 and plan members contributed \$ 3,840. The most recent active member monthly premiums for the Discretely Presented Component Unit and plan members are \$ 349

for single coverage and \$ 872 for family coverage. For the year ended June 30, 2013, the Discretely Presented Component Unit contributed \$ 28,611 and plan members contributed \$ 3,341.

(5) Compensated Absences

City and Discretely Presented Component Unit employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death.

These accumulations are not recognized as disbursements until used or paid. The City's and the Discretely Presented Component Unit's approximate liabilities for earned compensated absences payable to employees at June 30, 2013 are as follows:

<u>Type of Benefit</u>	<u>Primary Government</u>	<u>Discretely Presented</u>
	<u>Amount</u>	<u>Component Units</u>
Vacation	\$ 0	7,900
Compensatory hours	<u>0</u>	<u>2,000</u>
Total	<u>\$ 0</u>	<u>9,900</u>

These liabilities have been computed based on rates of pay as of June 30, 2013.

(6) Excursion Gambling Boat Dock Site Lease Agreement

On July 10, 1994, the City entered into a dock site lease agreement with a Company to operate and manage casino gambling on excursion gambling boats and related activities in and about the City of Marquette. The dock site lease agreement provides docking facilities for a twenty five year term beginning June 10, 1994. The agreement provides that the Company pay the City a) \$ 105,000 per year payable in equal monthly installments; b) fifty cents per ticketed passenger payable monthly; c) two and one-half percent of the net gambling receipts in excess of \$ 10,000,000 per year; and d) fifty cents per passenger admission pursuant to Chapter 99F.10 of the Code of Iowa and the City ordinance for dock site rental. Additionally, the City provides 24 hour public safety protection for \$ 75,000 per year payable monthly.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal Tax Increment	\$ <u>545,323</u>
Special Revenue: Mar Mac Driftless Area Wetland Centre	General Capital Projects	369,924 <u>22,000</u> <u>391,924</u>
Capital Projects	General	<u>754,882</u>
Total		<u>\$ 1,692,129</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Marquette and its Discretely Presented Component Units are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

(9) Related Party Transactions

The City paid \$ 117,624 to Mar-Mac Unified Law Enforcement District, a Discretely Presented Component Unit, of the City, for police services during the fiscal year ended June 30, 2013.

The Marquette Action Club, Inc., a Discretely Presented Component Unit, paid \$ 6,921 to Mar Mac Driftless Area Wetland Centre, a Blended Presented Component Unit, for equipment during the year ended June 30, 2013.

(10) Commitments

The City's contracted obligation to Mar-Mac Unified Law Enforcement District for police service for the fiscal year ended June 30, 2014 is \$ 156,641.

(11) Significant Concentration of Credit Risk

Receipts from one business comprised approximately 40% of the City's total receipts for the fiscal year ended June 30, 2013.

(12) Subsequent Events

On July 16, 2013, the City passed a resolution exercising its option to purchase or otherwise acquire all tangible assets of the Mar Mac Driftless Area Wetland Centre, a blended component unit of the City, including the nature center building and improvements and all equipment, supplies and records. The assets were transferred by quit claim deed from the Centre to the City. The termination notice of the 28E agreement establishing the Mar Mac Driftless Area Wetland Centre was filed with the Office of Secretary of State on August 28, 2013.

On August 28, 2013, a new 28E agreement was filed with the Secretary of State's Office whereby the City and the MFL MarMac Community School District agree to jointly utilize the nature center designated "Driftless Area Wetlands Centre". Under this Agreement, the City shall, by ordinance, establish a municipal administrative agency designated as the Wetlands Centre Board of Directors to administer the Wetlands Centre and all associated facilities, including parking lots and adjacent wetland areas. The Board of Directors shall consist of up to five members, up to four of which shall be appointed by the City's mayor and subject to confirmation by its Council. At least one member shall be appointed by the School District. The Board shall have exclusive control of all funds allocated for Wetlands Centre purposes by the City Council, all monies available by gift or grant for Wetlands Centre purposes and all other monies received by the Wetlands Centre from other sources, subject to the limitation of expenditures set forth in the annual budget approved by the City Council. The Board shall have no power to impose any tax of any nature, nor pledge the credit of either the City or the School District, nor incur any debt or other financial obligation the payment of which has not been provided for in the current or an approved future budget of the City.

In the event the Agreement is terminated prior to July 1, 2032, the City shall pay to the School District, in partial reimbursements for construction costs contributed by the School District, \$ 144,000 until June 30, 2014 decreasing \$ 7,579 annually until June 30, 2032.

(14) Interfund Loans

The General Fund has loans outstanding to the Special Revenue, Urban Renewal Tax Increment Fund of \$ 4,267,668 at June 30, 2013. These loans will be repaid with future tax increment financing collections.

OTHER INFORMATION

CITY OF MARQUETTE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES -BUDGET AND ACTUAL (CASH BASIS)--ALL GOVERNMENTAL
FUNDS, EXCEPT BLENDED COMPONENT UNIT AND ALL PROPRIETARY FUNDS
OTHER INFORMATION
Year Ended June 30, 2013

	Governmental Funds		Proprietary Funds	Less Blended Component Unit	Total	Budgeted Amounts		Final to Total Variance
	Actual		Actual			Original	Final	
Receipts:								
Property tax	\$ 9,174	-	-	-	9,174	5,249	5,249	3,925
Tax increment financing	573,392	-	-	-	573,392	582,363	582,363	(8,971)
Other city tax	639,768	-	-	-	639,768	565,297	563,300	76,468
Licenses and permits	2,087	-	-	-	2,087	1,380	1,380	707
Use of money and property	218,866	-	-	420	218,448	221,144	251,144	(32,696)
Intergovernmental	109,620	-	-	49,384	60,236	39,500	35,000	25,236
Charges for service	41,112	167,262	-	-	208,394	224,000	224,000	(15,606)
Miscellaneous	111,283	2,638	-	-	25,653	1,500	1,500	24,155
Total receipts	1,705,304	169,920			1,737,154	1,640,433	1,663,936	73,218
Disbursements:								
Public safety	196,791	-	-	-	196,791	213,455	213,455	16,664
Public works	157,072	-	-	-	157,072	178,660	193,660	36,588
Health and social services	816	-	-	-	816	870	870	54
Culture and recreation	109,500	-	-	180	109,320	84,810	114,560	5,240
Community and economic development	577,819	-	-	218,351	359,468	7,630	437,630	78,162
General government	225,490	-	-	-	225,490	221,450	244,550	19,060
Capital projects	1,513,278	-	-	(22,000)	1,535,278	1,398,550	1,969,650	434,372
Business type activities	-	186,337	-	-	186,337	199,145	215,145	28,808
Total disbursements	2,780,766	186,337			2,770,572	2,304,570	3,389,520	618,948
Deficiency of receipts under disbursements	(1,075,462)	(16,417)			(1,033,418)	(664,137)	(1,725,584)	692,166
Other financing sources, net	19,022	-			19,022	27,000	359,800	(340,778)
Deficiency of receipts and other financing sources under disbursements and other financing uses	(1,056,440)	(16,417)			(1,014,396)	(637,137)	(1,365,784)	351,388
Balances beginning of year	3,982,825	73,064			3,990,963	3,066,590	3,990,974	(11)
Balances end of year	\$ 2,926,385	\$ 56,647			\$ 2,976,567	\$ 2,429,453	\$ 2,625,190	\$ 351,377

See accompanying independent auditor's report and notes to other information budgetary reporting.

CITY OF MARQUETTE

Notes to Other Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and the blended component unit.. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2013, two budget amendments increased budgeted disbursements by \$ 1,084,950. The budget amendments are reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF MARQUETTE
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts										
Property tax	\$ 9,174	57,316	98,889	6,931	26,889	23,265	22,550	20,967	10,102	39,417
Tax increment										
Financing	573,392	339,015	338,577	339,432	409,550	410,743	405,772	384,135	430,377	264,392
Other city tax	639,768	640,982	617,769	670,464	739,630	868,175	1,062,131	1,212,068	1,232,376	1,245,022
Licenses and permits	2,087	1,538	3,581	3,920	1,695	2,170	715	2,145	2,180	2,198
Use of money and property	218,868	271,466	275,233	297,680	356,740	242,257	333,943	268,900	225,990	251,337
Intergovernmental	109,620	280,465	253,925	565,036	55,536	248,659	39,624	39,850	114,698	82,907
Charges for service	41,112	40,348	39,323	42,967	42,022	26,821	25,887	24,558	25,108	25,176
Miscellaneous	111,283	26,583	4,771	9,465	15,603	4,340	27,876	10,333	24,485	58,858
Total	\$ 1,705,304	1,657,963	1,632,268	1,935,925	1,647,665	1,806,430	1,918,498	1,962,056	2,065,316	1,969,307

Disbursements:										
Operating:										
Public safety	\$ 196,791	179,068	219,252	143,493	182,553	250,875	149,857	147,862	140,173	137,888
Public works	157,072	157,341	146,962	132,156	147,810	146,006	159,772	174,498	162,829	115,346
Health and social services	816	816	816	316	316	1,138	300	316	1,053	1,053
Culture and recreation	109,500	93,616	80,721	79,799	60,454	58,216	57,013	72,257	65,722	63,928
Community and economic development	577,819	7,707	6,523	632	10,632	60,632	10,000	632	831	10,526
General government	225,460	212,723	232,213	219,968	220,080	144,417	192,818	185,976	163,021	171,283
Debt service	-	-	-	-	-	-	303,413	315,095	301,588	-
Capital projects	1,513,278	1,339,348	1,095,829	1,263,399	325,301	462,357	2,137,519	848,681	484,750	1,553,156
Total	\$ 2,780,766	1,990,819	1,782,316	1,839,723	947,146	1,123,661	3,010,692	1,745,317	1,319,917	2,053,180

See accompanying independent auditor's report.

STEVEN S. CLAUSEN, CPA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregated discretely presented component units and remaining fund information, and each major fund of the City of Marquette, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 18, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Marquette's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Marquette's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Marquette's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marquette's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Marquette during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

October 18, 2013



Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - Disbursements for the year ended June 30, 2013 did not exceed the amount budgeted.
- II-B-13 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-13 Business Transactions - No business transactions between the City and City officials were noted.
- II-E-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-13 Council Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.
- II-G-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.